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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH**

In re:

NAARTJIE CUSTOM KIDS, INC.,

Debtor.

Case No. 14-29666

Chapter 11

The Honorable William T. Thurman

**TARGET EASE INTERNATIONAL’S NOTICE OF RECLAMATION DEMAND AND
ADMINISTRATIVE EXPENSE CLAIM UNDER 11 U.S.C. §§ 503(b)(9) AND 546(c)(1)**

Target Ease International (“Target”), by and through its attorneys, Holland & Hart LLP, hereby files this Notice of Reclamation Demand and Administrative Expense Claim Under 11 U.S.C. §§ 503(b)(9), 546(c)(1), and applicable non-bankruptcy law, as follows:

1. On September 12, 2014 (the “Petition Date”), Naartjie Custom Kids, Inc. (the “Debtor”) filed its voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Utah.
2. Pursuant to §§1107(a) and 1108 of the Bankruptcy Code, the Debtor continues to operate its business and manage its affairs as a debtor-in-possession. No trustee or examiner has

been appointed in these cases. The Official Committee of Unsecured Creditors was officially appointed on September 22, 2014.

3. The Debtor is a children's clothing brand that designs, manufactures, and sells children's clothing, accessories, and footwear for ages newborn through 10 years old.

4. Target is a manufacturer of specialized products to the Debtor and its main supplier, supplying approximately 75% of all of the products sold by the Debtor.

5. Prior to the Petition Date, Target supplied goods ("Goods") to the Debtor that were received by the Debtor during the 45-day period preceding the Petition Date and for which Target issued pre-petition invoices. Copies of the purchase orders are attached as ***Exhibit A***. Copies of all invoices, along with a spreadsheet showing the date the Debtor received the Goods is attached as ***Exhibit B***.

6. The Goods received by the Debtor during the 45-day period preceding the Petition Date (the "Reclamation Goods") had a total value of \$2,655,315.20. All of the Reclamation Goods were sold by Target to the Debtor in the ordinary course of the Debtor's business. Target believes the Debtor was insolvent at the time of receiving delivery of the Reclamation Goods.

7. Subsection (2) of § 2-702 of the Uniform Commercial Code, as enacted in Utah, authorizes reclamation of goods sold by a seller to an insolvent buyer, providing as follows:

§ 70A-2-702. Seller's remedies on discovery of buyer's insolvency.

(1) Where the seller discovers the buyer to be insolvent he may refuse delivery except for cash including payment for all goods theretofore delivered under the contract, and stop delivery under this chapter (Section 70A-2-705).

(2) Where the seller discovers that the buyer has received goods on credit while insolvent he may reclaim the goods upon demand made within 10 days after the receipt, but if misrepresentation of solvency has been made to the particular seller within three months before delivery the ten-day limitation does not apply. Except as provided in this subsection the seller may not base a right to reclaim goods on the buyer's fraudulent or innocent misrepresentation of solvency or intent to pay.

(3) The seller's right to reclaim under Subsection (2) is subject to the rights of a buyer in ordinary course or other good faith purchaser under this chapter (Section 70A-2-403). Successful reclamation of goods excludes all other remedies with respect to them.

U.C.A. § 70A-2-702.

8. On September 30, 2014, Target, through counsel, issued a formal written reclamation demand to the Debtor (the "Reclamation Demand"). A true and correct copy of the Reclamation Demand is attached hereto as ***Exhibit C*** and is incorporated herein by reference.

9. Section 546(c) of the Bankruptcy Code alters the reclamation remedy available to such vendors in the context of a bankruptcy case, providing as follows:

(c)(1) Except as provided in subsection (d) of this section and in section 507(c), and subject to the prior rights of a holder of a security interest in such goods or the proceeds thereof, the rights and powers of the trustee under sections 544(a), 545, 547, and 549 are subject to the right of a seller of goods that has sold goods to the debtor, in the ordinary course of seller's business, to reclaim such goods if the debtor has received such goods while insolvent, within 45 days before the date of the commencement of a case under this title, but such seller may not reclaim such goods unless such seller demands in writing reclamation of such goods -

(A) not later than 45 days after the date of receipt of such goods by the debtor; or

(B) not later than 20 days after the date of commencement of the case, if the 45-day period expires after the commencement of the case.

(2) If a seller of goods fails to provide notice in the manner described in paragraph (1), the seller may still assert the rights contained in section 503(b)(9).

11 U.S.C. §546(c)(1), (2).

10. Pursuant to 11 U.S.C. §546(c)(1), Target is therefore entitled to reclamation of the Reclamation Goods sold to and received by the Debtor within the 45 days preceding the Petition Date, since its Reclamation Demand was delivered within the 20-day period following the Petition Date.

11. Accordingly, Target hereby demands reclamation of the Goods.

12. Alternatively, Target asserts an administrative priority claim for the Goods received by the Debtor during the 20 days preceding the Petition Date in the amount of \$2,157,968.25 pursuant to 11 U.S.C. §503(b)(9).

13. Target reserves any and all rights to assert any other claims against the Debtor, and neither the filing of this Notice nor the attached Reclamation Demand letter shall be construed to be a limitation of rights or election of remedies for any purpose, including Target's right to assert any and all rights under any other applicable federal, state or foreign statutes.

WHEREFORE, Target respectfully requests that this Court grant Target:

(i) reclamation of the Reclamation Goods;

(ii) an allowed administrative priority expense claim under 11 U.S.C. § 503(b)(9) in the amount of \$2,157,968.25.

Dated October 1, 2014

HOLLAND & HART LLP

/s/Mona L. Burton

Mona L. Burton (5399)

Engels J. Tejada (11427)

**ATTORNEYS FOR TARGET EASE
INTERNATIONAL**

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CERTIFICATE OF SERVICE

I certify that on October 1, 2014, **TARGET EASE INTERNATIONAL'S NOTICE OF RECLAMATION DEMAND AND ADMINISTRATIVE EXPENSE CLAIM UNDER 11 U.S.C. §§ 503(b)(9) AND 546(c)(1)** was electronically filed with the United States Bankruptcy Court for the District of Utah by using the CM/ECF system. I further certify that the parties of record in this case, as identified below, are registered with the CM/ECF system and receive electronic notification of such filing:

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